



2020-21 Federal Budget Update

Fast-tracked tax cuts and wage subsidies for younger workers underline the Federal Government's budget.

2020 is an extraordinary period of challenge and change. COVID-19 has resulted in the most severe global economic crisis since the Great Depression. The 2020-21 Federal Budget illustrates the enormity of the task of recovery, unveiling unprecedented spending and deficit levels over the medium term.

The 2020-21 Federal Budget is all about jobs, jobs and more jobs. By pouring dollars into the economy, and driving unemployment down, the government plans to fix the economy first, and deal with the deficit later. Its centrepiece initiatives are a new JobMaker Hiring Credit for businesses and lower taxes for individuals.

The Government honoured their election promise that there will be no adverse tax changes to the superannuation system. In addition, for the first time in a number of years, there were no measures specifically relating to SMSFs in this year's Budget.

We've summarised the key features of the Budget below. Please note that these changes are proposals only and may or may not be made into law.

Personal income tax changes brought forward

- **Immediate tax relief:** 'Stage two' personal income tax cuts will be brought forward two years, and backdated to 1 July 2020.
- **Raised tax brackets:** The upper threshold of the 19% tax bracket will rise from \$37,000 to \$45,000 and the upper threshold of the 32.5% tax bracket will rise from \$90,000 to \$120,000. This will be worth the equivalent of \$41 a week to those earning between \$50,000 and \$90,000 a year, and about \$49 a week to those earning more than \$120,000 a year.
- **Boost for workers on lower incomes:** Workers on lower incomes will gain from an extension of the Low and Middle Income Tax Offset for a further 12 months until 30 June 2021, and an increase in the Low Income Tax Offset.

First home buyers

- **Purchase cap lifted:** Up to 10,000 more first home buyers will be able to get a loan to build a new home or buy a newly built home with a deposit of as little as 5%. The purchase cap will also be lifted and varies depending on the State and regional area.

McEwen Investment Services Pty Limited (ABN 37 059 850 038) holds an Australian Financial Services License, No. 235915. Disclosure as per s849 of the Corporations Law: McEwen Investment Services Pty Limited, or persons associated with it, may have an interest in securities or classes of securities mentioned in this letter or publication. McEwen Investment Services, or persons associated with it, may earn brokerage or commissions from any transaction related to any or all of the securities or classes of securities recommended in this letter or publication.



Support for pensioners, low income earners, welfare recipients and job-seekers

- **Two cash payments:** Aged pensioners, carers, disability support and concession cardholders will receive two \$250 payments. The payments will be made progressively from 30 November 2020 and early 2021.
- **Incentives for employers to hire:** A JobMaker Hiring Credit will be paid for a year to businesses who hire an eligible unemployed worker aged 16 to 35. The rate will be \$200 a week for people under 30 and \$100 a week for people between 30 and 35, and they must work at least 20 hours a week. The JobMaker Hiring Credit is aimed at filling the gap when the JobKeeper scheme ends next March.
- **Support to businesses employing apprentices and trainees:** A wage subsidy will reimburse eligible businesses up to 50% of a new apprentice or trainee's wages. Subsidies are capped at \$7,000 per quarter, per eligible apprentice or trainee, capped at 100,000 places.

Support for the elderly

- **Boost to home care packages:** 23,000 additional packages to help elderly Australians to stay at home longer. This will help make some inroads into the current waitlist of 103,000 people.
- **An increase to overall aged care spending:** \$23.9 billion for aged care, an increase of \$2.2 billion over last year and approximately \$1 billion more than forecast. This includes continuation of funding for COVID-19 response cost such as staff, training, quarantine and infection control, and grief and trauma support services.

Business tax changes

- **Immediate tax write-off:** Businesses with annual turnover of up to \$5 billion can write off the full cost of eligible capital assets acquired from 7 October 2020 and first used or installed for use by 30 June 2022.
- **Loss carry-back:** Companies with aggregated annual turnover of less than \$5 billion will be able to apply tax losses from the 2019-20, 2020-21 and 2021-22 income years against previously taxed profits from the 2018-19 and later tax years by claiming a refundable tax offset in the loss year.
- **Specific changes for small business:** Small businesses with a turnover of up to \$50 million will be able to access up to 10 tax breaks, with fringe benefits tax scrapped on car parking, phones or laptops, simpler trading stock rules and easier PAYG instalments.



Your Future, Your Super package commencing 1 July 2021

- **Making it easier to choose a super fund:** Super fund members will have access to a new interactive online comparison tool, YourSuper, aimed to encourage funds to compete harder for members' savings.
- **Transparency around underperforming funds:** To protect members from poor outcomes and encourage funds to lower costs, the Government will require superannuation products to meet an annual objective performance test. Those that fail will be required to inform members and refer members to the YourSuper comparison tool. Persistently underperforming products will be prevented from taking on new members.
- **Additional trustee obligations:** Super fund trustees need to ensure decisions are made in the best financial interest of members and provide better information on management and expenditure. Note that this will affect those large APRA funds to ensure they are spending in the best interests of the members, rather than SMSFs.

Other announcements and changes

- A deficit for 2020-21 of \$214 billion (11% of GDP), which is a staggering \$220 billion worse than the pre-COVID forecast released in late 2019.
- Gross debt is \$872 billion (44.8% of GDP).
- Additional \$14 billion in infrastructure projects across Australia over the next four years.

How can we help?

If you have any questions or would like further clarification in regards to any of the above measures outlined in the 2020-21 Federal Budget, please feel free to give me a call to arrange a time to meet so that we can discuss your particular requirements in more detail.

The information provided in this Federal Budget Summary is of a general nature only. Before acting on any advice, you should consider whether it is appropriate to your objectives, financial situation and needs. Any tax estimates provided in this publication are intended as a guide only and are based on our general understanding of taxation laws. They are not intended to be a substitute for specialised taxation advice or a complete assessment of your liabilities, obligations or claim entitlement that arise, or could arise, under taxation law. We recommend you consult with a registered tax agent. Past performance is not a reliable indicator of future performance.

McEwen Investment Services Pty Limited (ABN 37 059 850 038) holds an Australian Financial Services License, No. 235915. Disclosure as per s849 of the Corporations Law: McEwen Investment Services Pty Limited, or persons associated with it, may have an interest in securities or classes of securities mentioned in this letter or publication. McEwen Investment Services, or persons associated with it, may earn brokerage or commissions from any transaction related to any or all of the securities or classes of securities recommended in this letter or publication.